

# New York Compensation Association

## Fall Trends 2020

Our goal-setting process takes up a ton of time,  
but it still feels like we're only asking  
being asked.

# **500 billion dollars of lost annual productivity is due to disengaged employees**

Millennials want to see career path possibilities, but we can't articulate this, and  
we lose them to other firms.

Current performance management is a one-time event,  
but our business environment is dynamic and fluid.

Every time we make a hire, we scramble around to find a position  
description – couldn't we have a comprehensive library of them?

We all know we need to have more of a pay-for-performance culture, but we struggle to make it work.

We want to achieve gender pay equity but we don't know where to begin

**1 trillion dollars is lost annually in the U.S. due to voluntary turnover**

We lose good people because they don't see the next step in their careers, or trust they will be paid for delivering.

Our promotion process feels arbitrary and our staff doesn't trust it.

How do we set meaningful risk goals for all  
of our employees with consistency and rigor?

**243 billion dollars** have  
**been paid in fines by banks since the  
financial crisis**

**We like the idea of a  
conduct / pay linkage, but  
making it really happen is a  
challenge for us**

**We want employees to take  
our culture seriously, but  
how do we reinforce it  
throughout the year?**

Regulators want to understand how we are managing risk,  
culture and conduct, but we don't have interconnected data  
to show them.

# **95% of a company's employees are unaware of, or do not understand, its strategy**

Our firm-wide strategic initiatives  
seem to be a never-ending cycle of people  
always get busy with their day jobs.

Our processes feel artificial and not connected to true  
business outcomes – due to this they are not taken seriously

Our human capital  
approach feels  
academic – we need it  
to enable results.

**Our workforce feels top-heavy, and it comes at a cost.**

How do we harness the various data sources to produce the kind of  
people analytics we need to drive business outcomes?

We all know we need to have more of a pay-for-performance culture, but we struggle to make it work.

Our managers don't manage people well and we pay them for productivity and turnover.

How do we set meaningful risk goals for all of our employees with consistency and rigor?

# Reward professionals are asked to solve, or help solve a complicated set of challenges.

We want to achieve gender pay equity but we don't know where to begin.

Our firm-wide strategic initiatives never seem to happen – people always get busy with their day jobs.

Our goal-setting process takes a lot of time, but it still feels like people don't know what is being asked.

## And these challenges are more complicated in the current environment than ever before.

Our human capital approach feels academic – we need it to enable results.

Our processes feel a little disconnected to business outcomes – due to this they are not taken seriously.

We don't help our people take the next step in their careers, or trust they will be paid for delivering.

With a completely remote workforce, how do we make sure managers and employees have a shared understanding of objectives?

We like the idea of a conduct / pay linkage, but making it really happen is a challenge for us

Millennials want to see career path possibilities, but we can't articulate this, and we lose them to other firms.

Every time we make a hire, we scramble around to find a position description – couldn't we have a comprehensive library of them?

Current performance management is a one-time event, but our business environment is dynamic and fluid.

Our workforce feels top-heavy, and it comes at a cost.

We want employees to take our culture seriously, but how do we reinforce it throughout the year?

How do we harness the various data sources to produce the kind of people analytics we need to drive business outcomes?

Our promotion process feels arbitrary and our staff doesn't trust it.

People doesn't have clarity around job expectations.

Regulators want to understand how we are managing risk, culture and conduct, but we don't have interconnected data to show them.

Our remote workers seem productive, but are we really still building a collective culture?

Performance assessment is based more on anecdotal feedback vs. real KPIs?

What is my role?



```
graph TD; A[What is my role?] --> B[What is my seniority level?]; B --> C[What are my objectives?]; C --> D[How will my performance be measured?]; D --> E[How will I be paid?];
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What is my seniority level?

What are my objectives?

How will my performance be measured?

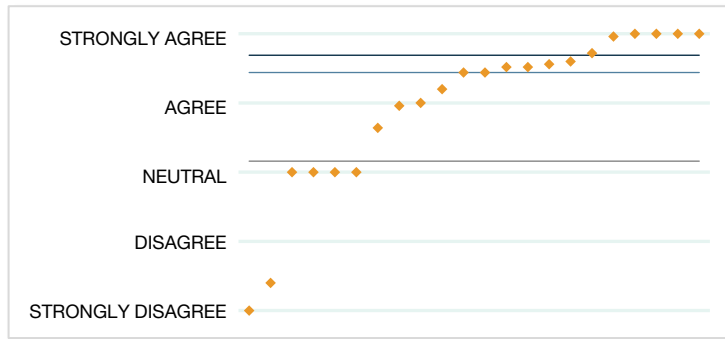
How will I be paid?

**Reward**

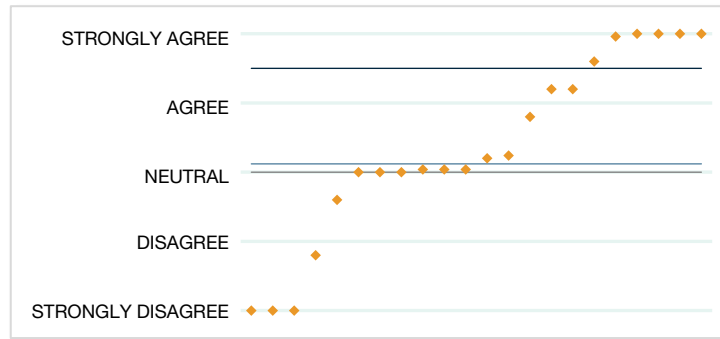


# Reward | Polling Data

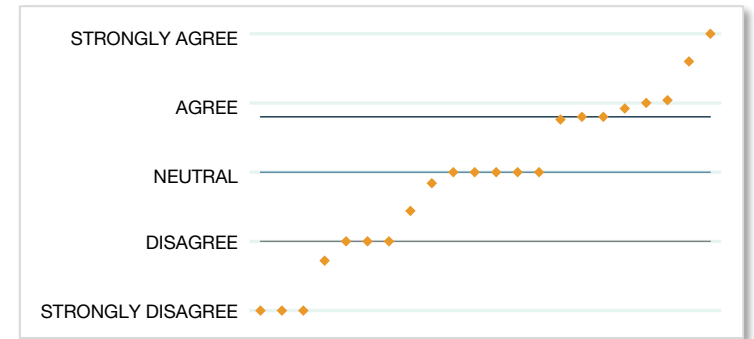
Our firm would like to have more of a pay for performance culture.



We are going to pay smaller bonuses at year-end based on Covid-related performance.



Covid-related performance will likely have a long-term impact on how we pay.



# Reward Trends | Pay for Performance

## **PRIMARY TREND**

- Most firms indicate that they would like to have more of a pay for performance culture, however firms struggle to get to where they want to be.

## **MARKET PRACTICES**

- One of the primary and obvious obstacles to having a pay for performance culture is not having a strong performance management program — you can't reward the high performers if you can't identify them.
- Firms often want to differentiate pay for those that contribute more, but are reluctant to spend less on lower performers, taking the conversation out of a zero sum approach.
- Firms that do differentiate pay for performance typically have better performance, and are positioned to retain their highest performers.

## **COVID INFLUENCE**

- For firms with depressed payouts or zero bonuses based on business results, pay for performance may take a year off.
- Some firms may have a harder time determining who the high performers are in the current environment.
- Some firms may perceive that people are so happy to have a job in this unstable environment, that differentiated pay may not be necessary.

# Reward Trends | Pay for Performance

- Firms that wish to deepen their pay for performance culture may have a number of challenges.
- Perhaps the greatest challenge will be years of managing compensation on a “year-over-year” basis, rather than marking it to market, and examining the value created vs. the cost.

## OBSTACLES



# Reward Trends | Pay for Performance

- There are a number of building blocks that can help firms move towards a deeper meritocracy.
- Many of these building blocks cannot be solved 100% overnight, but firms should not be daunted, and once committed, can generally see real changes in 2-3 years from implementation.

## ENABLERS



# Reward Trends | Strategy

## **PRIMARY TREND**

- Firms vacillating between using compensation as a strategic lever vs. a cost to be managed.

## **MARKET PRACTICES**

- Most larger firms have formalized compensation philosophies, where they articulate their intentions around paying staff. These philosophies can be productive guiding principles, and are often shared in annual reports or in a firm intranet for employees to view.
- Firms will tailor things like mix of pay, incentive pay design, long-term incentives, salary structures and more to reinforce the compensation philosophy, which should align to the overall business strategy and culture of the firm.
- For many firms, compensation can approach 50% of revenue generated, so getting maximum strategic impact from this spend is critical to success.

## **COVID INFLUENCE**

- In an uncertain environment, do firms “batten down the hatches”, and simply manage the cost, while waiting to see what comes next?

# Reward Trends | Location Strategy

## **PRIMARY TREND**

- **A broader group of firms using location strategy to save costs, with changing focuses.**

## **MARKET PRACTICES**

- The perceived threshold for “large enough” cost savings to bother with location strategy has lowered – this is no longer simply a large firm objective.
- Greater focus on non-India international locations (Scotland, Poland, etc.)
- Greater focus on secondary and tertiary locations in the United States.
- The Rust Belt in particular as well as places like Tampa and Denver, have become lucrative sources of relatively inexpensive talent.

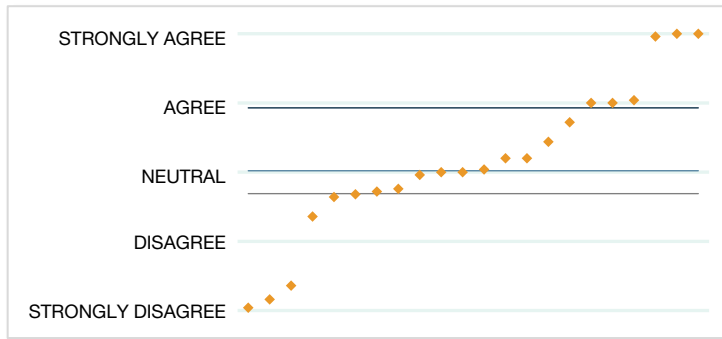
## **COVID INFLUENCE**

- Re-examining the premium that is being paid for high cost locations where the business rationale has been “in person client interaction”
- Is the potential change in approach not the actual differentials in pay, but rather, where we hire the next set of employees?

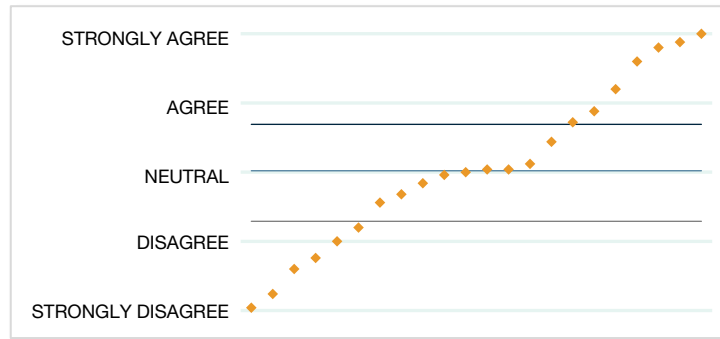
# Career Path

# Career Path | Polling Data

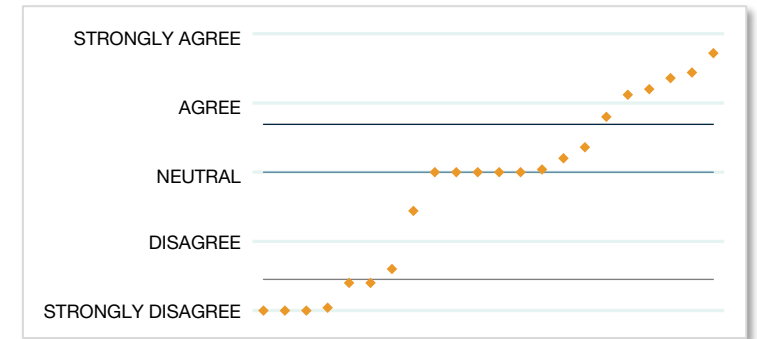
Employees at my firm have a clear sense of their career path and this is an integral part of our employee value proposition.



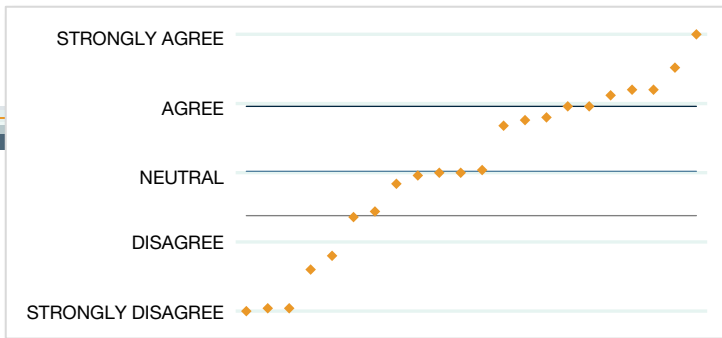
In the current environment, with more remote working, career path and clarity around how this works is unchanged.



We promote employees based on moving into vacant roles, vs. growth of capabilities.



We are concerned that our firm is becoming too top heavy with regard to the titling of our workforce.





# Career Path | Title Structure

- At some firms, particularly in the tech / internet space, there is some thought that corporate titles are an outdated concept, or excessively bureaucratic.
- The graphic at the right displays the value that a shared understanding of seniority across the firm creates for a number of different processes and objectives.

## CAREER PATH

Clear criteria for how one progresses at a firm is a key tool in engaging employees and encouraging long-tenured employment. That said, career progression should be just that: progressive responsibility vs. automatic promotions based simply on tenure.

## RECOGNITION

Employees value being recognized for their progress and incremental responsibility in the organization. Firms must make certain the recognition is done fairly and consistently, for it to hold real value.

## EXTERNAL COMMUNICATION

Clients, industry peers, trade associations and regulatory bodies rely on titles in order to better understand who they are interacting with and their presumed level of responsibility.

## BUDGETING / STAFFING ANALYSIS

Business planning relies heavily on being able to assess the human capital costs for budgeting, accruals, headcount analysis, bonus planning and more. Well designed title structures allow this analysis to be done more easily and more accurately.

## REWARD

In order to ensure that pay is distributed equitably and to align internal reward levels to the competitive market, it is critical to have a consistent and objective structure for leveling talent.

## AUTHORITY / DECISION-MAKING

In the process of delegating responsibility for decision-making, there needs to be a shared understanding across the firm around what level employees can make what sort of decisions, and who is in these specific levels.

# Career Path | Progression

## **PRIMARY TREND**

- Employees are encouraged to view their career progression as a “lattice”, with many possible paths, and not all of them directly upwards.

## **MARKET PRACTICES**

- Firms are moving towards more employee “self service” in terms of career management, and are working to develop frameworks, where employees can navigate with less input from HR and managers
- Internal mobility is encouraged more in support areas and less in revenue producing roles, as firms are loathe to have someone who is making money for the firm change focus, even briefly
- Firms recognize the value of having a well-rounded employee in a leadership role, but are often reluctant to make the short-term sacrifice of having an employee shift focus
- Rotational assignments are somewhat common for juniors, particularly in special programs for high potential hires, but much less common as employees settle into roles.

## **COVID INFLUENCE**

- Will any firms suspend the promotion process or reduce number of promotions?

# Career Path | Specialists

## **PRIMARY TREND**

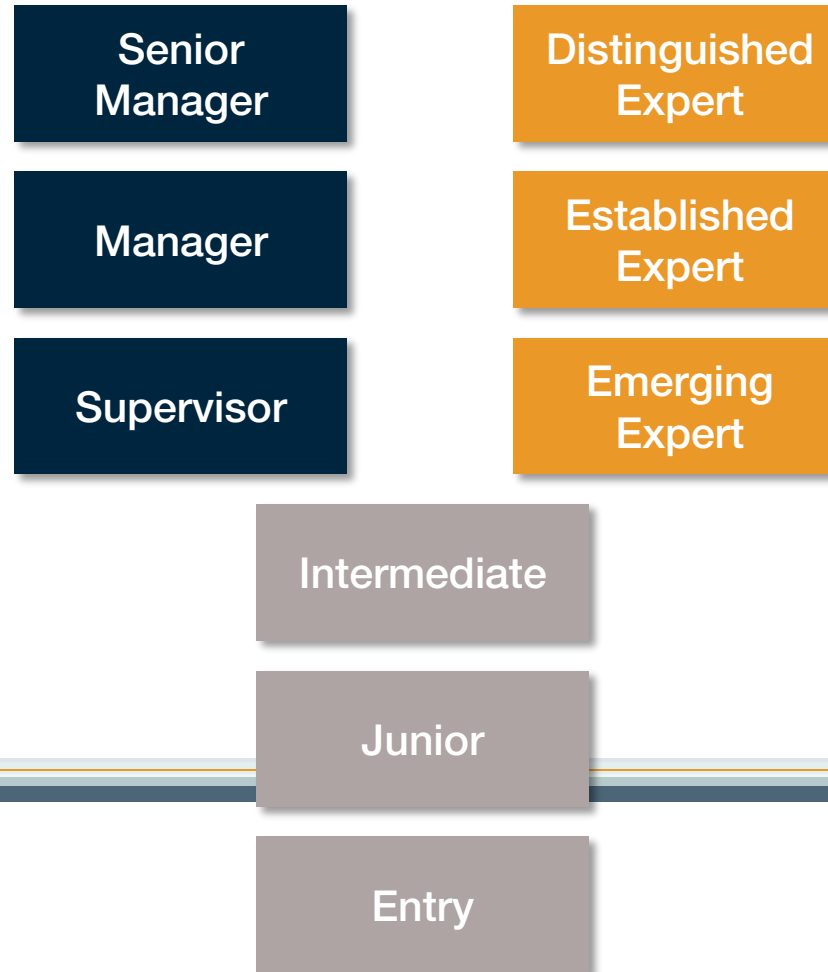
- Firms are increasing focus on creating career tracks for non-people managers, particularly in areas like Technology.

## **MARKET PRACTICES**

- Firms are moving away from seniority being driven primarily by the size of the organization you manager, and as technology becomes a larger part of how all firms operate, are creating tracks for specialists.
- There is a greater need than before to articulate to a non-financial employee how their career can develop and be rewarded in a banking institution.
- Other non-tech roles are also often specialists, in areas like treasury or trading, where a very high contributor may manager few or not people.

# Career Path | Specialists (continued)

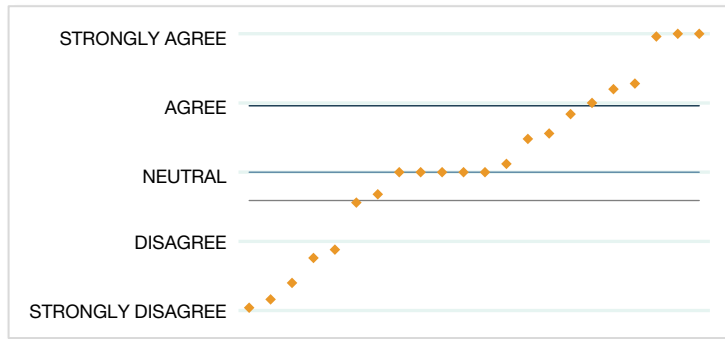
- The “Y” career path assumes that at an entry level, employees have not yet demonstrated whether they will add the greatest value managing people or based on individual expertise.
- Career paths should include a robust set of opportunities and rewards for both people managers and individual contributors, such that either employee can thrive and add maximum value at the firms.



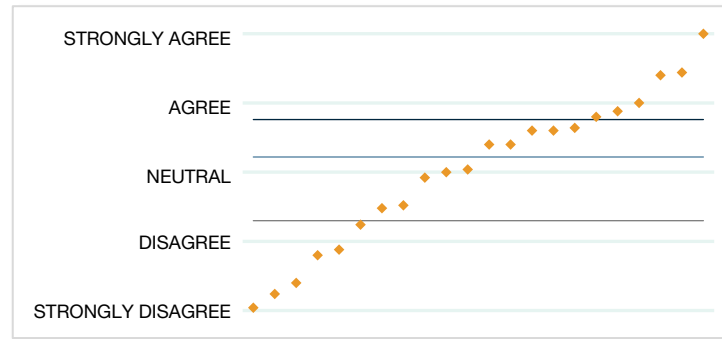
# **Performance Management**

# Performance Management | Polling Data

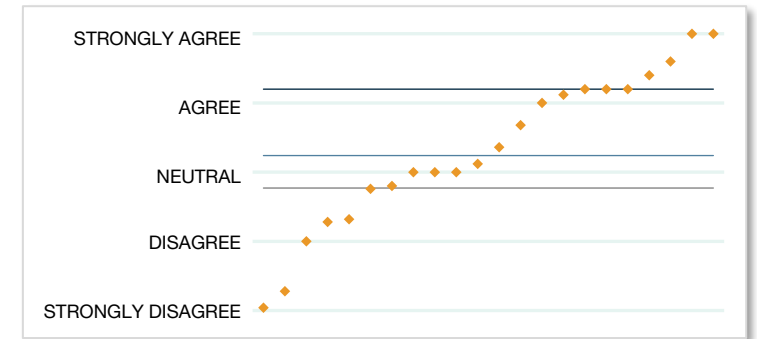
Our employees have a clear sense of what is being asked of them, and how their performance will be measured.



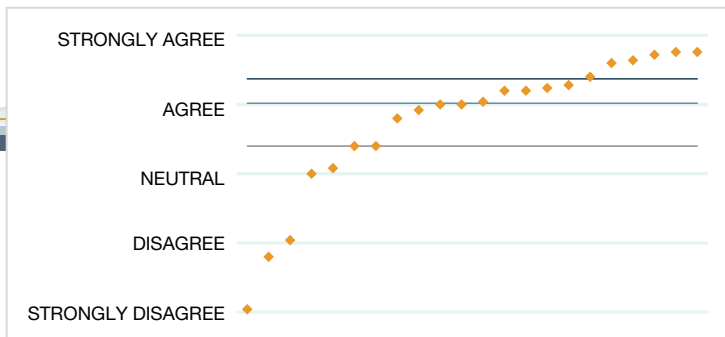
Our managers are skillful at giving feedback throughout the year.



Our Corporate Strategic initiatives cascade effectively throughout the organization.



In a remote work environment, we need greater clarity on what people's goals are, and more structure around feedback.



# Performance Management | Trends

## **PRIMARY TREND**

- Firms are struggling with getting expected value out of the performance management process, with some firms going as far as to eliminate ratings, often regretting this after making the change.

## **MARKET PRACTICES**

- Firms want to increase the frequency and quality of feedback, as employee engagement surveys consistently indicate that feedback and development are the greatest drivers of motivation and retention.
- Firms struggle to account for not just economic goals, but behavioral goals as well, and other factors like risk management
- A number of firms have now formalized more frequent check-ins, as managers in general are seen as being inconsistent in providing needed feedback and developmental guidance

## **COVID INFLUENCE**

- Some firms have suspended year-end reviews, or in other ways have reduced the time spent on the process.
- Some firms – surprisingly – reporting more frequent manager / employee feedback out of necessity – more video chats, etc.

# Performance Management | Trends

- One of the challenges — and also opportunities to create tremendous value — regarding performance management is the large number of stakeholders involved in the process and the outcomes.
- Done properly, performance management is the connective tissue of the firm that link's the overall strategy to the individual employees, and many of the processes and objectives shown at right.





# Going Well

- Work remote improve performance
- How well we are able to get more achieved!
- Our team has really pulled together and worked exceptionally well during COVID-19
- working from home :)
- Our performance is breaking records due to Covid and we are paying above targets.
- How seamlessly we were able to transition to a 100% remote working environment, and how well the IT infrastructure has held up.
- People like some flexibility with remote work as part of the total rewards equation.

- Even without merit increase process, compensation function is more valued than before.
- Level of engagement

# Biggest Challenge

- Aligning compensation with a growing remote workforce and update location strategy.
- Increases during salary freeze
- Defining positions that are truly remote work versus occasional.
- Understanding the processes and approaches given the environment
- managing pay of remote employees, geo. differentials, etc.
- I would think it would be in the form of benefits possibly, as there is probably a great need for medical care and other benefits which impact positively employee health.
- controlling costs

- Our business is thriving during the pandemic so our biggest challenge is not over compensating individuals for performance. Not every company's business is being negatively impacted by the Covid environment.
- rewarding individual outstanding performance in an environment where bonuses may not pay out
- Geographic Differentials, especially for people who are still based in HCOL cities (e.g., NYC, San Francisco) but who move to lower cost areas to live.
- Impact of remote work on compensation practices
- Retaining talent

- Not enough cash to retain top performers and address pay equity
- Managing pay for performance

Please stay in touch!  
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